

EXHIBIT 20

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7 GST TELECOMMUNICATIONS, INC. and
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(ENDORSED)
FILED
OCT 20 1998
STEPHEN V. LOVE
Chief Executive Officer
Superior Court of CA County of Santa Clara
BY _____ DEPUTY

9 SUPERIOR COURT OF CALIFORNIA
10 IN AND FOR THE COUNTY OF SANTA CLARA

11 GST TELECOMMUNICATIONS, INC., a)
12 Canadian Corporation, and GST TELECOM,)
INC., a Delaware Corporation)

13 Plaintiffs,)

14 v.)

15 GST GLOBAL TELECOMMUNICATIONS,)
16 INC., a Yukon Territory Corporation,)
W. GORDON BLANKSTEIN,)
17 STEPHEN IRWIN, JOHN WARTA,)
ROBERT H. HANSON,)
18 PETER E. LEGAULT, and)
IAN WATSON,)

19 Defendants.)
20
21

CASE NO.: CV777478
COMPLAINT

22 GST Telecommunications, Inc., and GST Telecom, Inc., by their undersigned attorneys,
23 allege for their complaint upon knowledge with respect to themselves and their own acts, and
24 upon information and belief as to all other matters, as follows:
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GST-WARTA 65878

I.

INTRODUCTION

1. This case seeks to remedy the fraud of individuals using thinly traded stock of a shell corporation to effect a fraud upon plaintiff GST Telecommunications, Inc. a NASDAQ-traded telecommunications company headquartered in Vancouver, Washington. In particular, the individual Defendants, led by "Howe Street Promoter" W. Gordon Blankstein, acquired cheap stock in a Vancouver British Columbia Stock Exchange "shell" corporation, "Canadian Programming Concepts, Inc.", and then used their positions as GST insiders -- members of GST's Board of Directors -- to transfer an immensely lucrative Mexican business opportunity, the "Bestel Opportunity" to the shell corporation, with no compensation to GST. The opportunity so transferred has recently been valued in excess of \$200 million. In short order, the individual Defendants' cheap stock in Canadian Programming Concepts, now renamed "GST Global Telecommunications, Inc." quadrupled in value, resulting in the personal enrichment of the individual Defendants at the expense of GST and its shareholders.

2. By this lawsuit, GST seeks to hold Defendants accountable for their fraud and to return all equitable and legal interests in and to the Bestel Opportunity to its rightful owner, GST.

II.

JURISDICTION AND VENUE

3. This Court has jurisdiction over all causes of action in this Complaint pursuant to the California Constitution Article VI, Section 10, and California Code of Civil Procedure Section 410.10 because no cause of action contained herein is given by statute to other trial courts and the amount in controversy exceeds \$25,000.

4. Pursuant to California Code of Civil Procedure Sections 395(a) and 395.5, venue is proper in Santa Clara County because acts giving rise to the complaint occurred in Santa Clara County and because, as described below, defendant Global's principal operations in the United States are located here.

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III.

THE PARTIES

5. Plaintiff GST Telecommunications Inc., is a Canadian Corporation with its principal place of business in Vancouver, Washington. GST is a leading facilities-based provider of advanced telecommunications products and services. The common stock of GST is traded on the NASDAQ. The Company currently operates networks in 18 cities and has 31 additional networks under development. The Company has built fiber and switching infrastructures in selected cities in the western United States and is pursuing a strategy of linking the markets it serves via advanced long haul fiber optic networks. GST's integrated communications product and service offerings include Plain Old Telephone Service (POTS), analog trunk, private line, long distance, data (frame relay and ATM), paging, Centrex, and Custom Local Signaling Services (CLASS) such as call forwarding, caller I.D., voice mail, and automatic call back. GST also offers a full complement of Internet services, including dial-up, dedicated access, Electronic Data Interchange (EDI), and Web services. GST has no business operations in Canada.

6. Plaintiff GST Telecom Inc. is a Delaware Corporation with its principal place of business in Vancouver, Washington. GST Telecom is a wholly owned subsidiary of GST Telecommunications Inc. Telecom has no business operations in Canada. Hereinafter, GST Telecom and GST Telecommunications Inc. are referred to collectively as "GST".

7. Defendant GST Global Telecommunications, Inc. ("Global"), formerly known as "Canadian Programming Concepts, Inc.," ("CPC") is incorporated under the laws of Yukon Territory, Canada with its executive offices in Vancouver, British Columbia and its principal operations in Mountain View, California. Global is a telecommunications company whose common stock is traded on the American Stock Exchange and the Vancouver Stock Exchange. Global's principal operations in the United States are conducted through its Vitacom subsidiary in Mountain View. Apart from a few employees in its Vancouver, British Columbia office, Global has no business operations in Canada.

8. Defendant W. Gordon Blankstein ("Blankstein") is a resident of British Columbia, and is or was during the course of events described below, Chairman of the GST Board of

1 Directors, a member of the GST Executive Committee, a member of the GST Finance
 2 Committee, a Director of Global, Acting President of Global, Chairman of the Global Board of
 3 Directors (current), and a major Global shareholder (current).

4 9. Defendant Stephen Irwin ("Irwin") is a resident of New Jersey, and is, or was
 5 during the course of events described below, a Vice-President of GST, a Director of GST, Vice-
 6 Chairman of the GST Board of Directors, a member of the GST Executive Committee, a member
 7 of the GST Finance Committee, Secretary of GST, counsel to GST, Secretary to a Global
 8 subsidiary, counsel to Global and a Global shareholder. Irwin is also Of Counsel to the law firm
 9 of Olshan Grundman Frome & Rosenweig ("Olshan") in New York, New York.

10 10. Defendant John Warta ("Warta") is a resident of Hawaii and is, or was during the
 11 course of events described below, President and Chief Executive Officer of GST, Chairman of
 12 the GST Board of Directors, a member of the GST Executive Committee, Vice-Chairman of the
 13 Global Board of Directors, a director of a Global subsidiary, and a Global shareholder.

14 11. Defendant Robert H. Hanson ("Hanson") is a resident of Wyoming, and is, or was
 15 during the course of events described below, Senior Vice-President of GST, Chief Financial
 16 Officer of GST, a Director of GST, a member of the GST Finance Committee, and a Global
 17 shareholder.

18 12. Earl C. Kamsky ("Kamsky") is now deceased, but was, during the course of events
 19 described below, President and Chief Executive Officer of GST Telecom, a Director of GST,
 20 President and Chief Executive Officer of Global, a Director of Global, President and Chief
 21 Executive Officer of a Global subsidiary and a Global shareholder.

22 13. Defendant Peter E. Legault ("Legault") is a resident of Ontario, Canada and, is or
 23 was during the course of events described below, a Director of GST, a Director of Global, and a
 24 Global shareholder. Legault is also a Director and Vice-President of Thomson Kernaghan & Co.
 25 Ltd. ("Thomson").

26 14. Defendant Ian Watson ("Watson") is a resident of Marin County, California and is,
 27 or was during the course of events described below, President and Chief Executive Officer of
 28 GST, Chairman of the GST Board of Directors, Vice-President of GST USA, Inc., a member of

1 the GST Finance Committee, President and Chief Executive Officer of Global (current), Vice-
2 Chairman of the Global Board of Directors (current), and a Global shareholder (current). Watson
3 is also the beneficial owner of Tellson Holdings Limited ("Tellson").

4 15. On information and belief, each of the Defendants conspired with, participated
5 with and acted in concert with each of the other Defendants in the activities hereinafter alleged,
6 and, at all times herein mentioned, each of such Defendants was the agent of and authorized to act
7 for and was acting for and on behalf of and with the knowledge and consent of each of the other
8 Defendants.

9 16. Dr. Thomas E. Sawyer, Jack Armstrong, and Takashi Yoshida were directors of
10 GST during the relevant period and are not named as defendants herein. These directors are
11 hereinafter collectively referred to as the "Independent Directors."

12 IV.

13 THE FACTS

14 17. In early 1996, GST had developed a significant business opportunity in Mexico
15 (the "Bestel Opportunity") whereby it could acquire a 49% interest in one of seven concessions
16 which had been granted by the Mexican telecommunications authority (the SCT) to a Mexican
17 consortium, Grupo Varo, to construct and operate a public telecommunications network in
18 Mexico. By the fall of 1996, however, the Defendants -- who were not only directors and officers
19 of GST, but also significant undisclosed shareholders of Global -- had fraudulently transferred the
20 Bestel Opportunity to Global for no consideration. There was not at this time, nor ever, any
21 written agreement or even a term sheet between GST and Global stating the terms for transfer of
22 the Bestel Opportunity. A recent independent analyst's report placed the value of the Bestel
23 Opportunity at \$460 million. GST's 49% interest -- wrongly taken by Global -- has thus now
24 been independently valued at \$225 million.

25 18. The transfer of the Bestel Opportunity to Global was part of a pattern of conduct
26 on the part of defendant Blankstein of abusing the corporate form for personal profit. Blankstein
27 would acquire control of a shell corporation listed on the Vancouver or Alberta Stock Exchange,
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1 and announce the private placement of further cheap stock. The stock would then be purchased
2 by Blankstein and his associates so that they would be in a position to profit when the shell took
3 on a real project. The project, more often than not, came from Blankstein's diverting to the shell a
4 corporate opportunity that belonged to another company of which he was a director. The
5 company surrendering the asset would receive no, or slight compensation. Meanwhile, the price
6 of shares in the transferee would rise sharply to the profit of Blankstein and his associates.
7 Global fit this pattern precisely.

8 **Global**

9 19. Global was formerly known as Canadian Programming Concepts Ltd. ("CPC").
10 CPC was a Yukon Territory corporation incorporated in 1993. Before Defendants caused the
11 Bestel Opportunity to be fraudulently transferred to CPC for no consideration, CPC was a lightly
12 traded shell corporation listed on the Vancouver Stock Exchange with no material assets.

13 20. From the time of its incorporation, CPC was controlled by Blankstein and his
14 associates. In or about May of 1995, CPC was listed on the Vancouver Stock Exchange (the
15 "VSE"). Since approximately August of this year, CPC, now known as Global, has been trading
16 on the American Stock Exchange.

17 21. Blankstein, then Chairman of the GST Board, had been attempting to induce GST
18 to acquire an interest in CPC for some time. In October of 1995, at a GST Board of Directors
19 meeting in Japan, Blankstein suggested to the GST Board that GST acquire a shell corporation.
20 In July of 1996, upon Blankstein's urging, the Board finally authorized a significant purchase of
21 CPC stock.

22 22. GST purchased 2.1 million shares of CPC stock on June 3, 1996. 1,450,000 of
23 these shares were purchased by GST directly from Blankstein at a cost of \$72,500 or 5 cents per
24 share.

25 23. In the same transaction in which GST purchased shares from Blankstein
26 personally, GST also purchased 125,000 CPC shares from Teleport Canada Development
27 Corporation ("Teleport") for \$87,500 (70 cents per share), 425,000 shares from Quest Capital
28 Corporation for \$193,750 (45 cents per share) and 100,000 shares from associates of Blankstein

1 for \$50,000 (50 cents per share). Teleport was a corporation in which Blankstein and his brother
 2 Robert Blankstein had a substantial beneficial interest. The fact that GST was purchasing shares
 3 from a company in which its Chairman had a significant financial stake was not disclosed at the
 4 time to the Independent Directors.

5 24. At the time of GST's acquisition of 2.1 million shares, Global had outstanding
 6 shares totaling 3,450,001. Thus, through its June 3, 1996 purchase of 2.1 million shares GST
 7 acquired approximately 60% of Global's outstanding shares.

8 25. The GST Board was not informed that GST had purchased CPC shares until a
 9 month later. As recorded in the minutes of a July 2, 1996 telephonic meeting of the GST Board
 10 that was chaired by Blankstein and attended by Warta, Irwin, Armstrong, Hanson, Legault,
 11 Sawyer and Watson:

12 The Chairman [Blankstein] then discussed *proposed* arrangements
 13 pertaining to the acquisition of control of an existing Canadian
 14 corporation, Canadian Programming Concepts, Inc., whose shares
 15 were currently traded on the Vancouver Stock Exchange. The
 16 Company *proposed* to acquire 2,100,000 shares...which *would*
 17 result in its ownership of 37.5% of the outstanding capital stock. It
 was contemplated that the new corporation, with a working name
 of GST Global Communications...would be used for non-U.S.
 telecommunications projects The Board determined that the
 Company should cause Messrs. Blankstein, Warta, Irwin and
 Legault to be elected initially as directors of GST Global ...

18 (emphasis supplied). No mention was made at this meeting of the identity of the sellers,
 19 Blankstein and Teleport, of the fact that it was not a "proposed" acquisition, but one that had
 20 already occurred, or of the fact that, on the day of this acquisition GST had acquired 60%, rather
 21 than 37.5% of the then outstanding Global shares.

22 26. One day after GST's acquisition of Global shares, Blankstein caused Global to
 23 announce a private placement of 1.5 million units (the "Units") at \$1.50 Canadian per Unit. Each
 24 Unit consisted of one share and one share purchase warrant exercisable at \$2.00 Canadian for one
 25 year. The issuance of the Units resulted in the substantial dilution of GST's interest in Global.

26 27. The placees in this private placement included defendants Blankstein, Warta,
 27 Irwin, Hanson and Watson (through Tellson), each of whom received 65,000 units. In addition,
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1 Legault purchased 75,000 Units in the name of Thomson Kernaghan, a company in which he held
2 a material interest. The private placement of the Units closed on or about August 14, 1996.

3 28. Between June 3, 1996, when GST first acquired Global shares, and the present,
4 Blankstein, and later the other Defendants, despite being directors or officers of GST, continued
5 to cause Global to issue more shares, thereby substantially diluting GST's interest in Global.

6 This is illustrated in the following chart:

7 **DILUTION OF GST'S INTEREST IN GLOBAL**

8 Issue Date	Number of shares Issued by Global	GST's purchases	GST's percentage interest in Global	Global shares Outstanding
9 7/96		2.1 million	61%	3.45 million
10 8/96	1.5 million		42%	4.95 million
11 9/96	.32 million		40%	5.27 million
12 11/96	3 million	1.5 million	46%	8.27 million
13 1/97	2.75 million		33%	11.02 million
14 2/97	1.12 million		30%	12.14 million

15 By December 31, 1997, following various other stock issuances by Global, the 3.6 million
16 Global shares that were owned by GST represented only 20.6% of Global's outstanding shares.

17 **GST Insiders Buy Into Global**

18 29. In order to insure the complicity of the other Defendants in his scheme to enrich
19 Global and himself at the expense of GST, Blankstein purchased the silence of each of the other
20 Defendants with cheap shares of Global stock.

21 30. Thus, on July 3, 1996, the day after the GST Board approved the "proposed"
22 acquisition of Global stock, the Global Board granted 67,000 stock options each to Warta, Irwin,
23 and Blankstein, and 20,000 options to Legault. These stock options were separate and apart from
24 the Units that the Defendants purchased in the Global private placement. As a result, by no later
25 than August 14, 1996 (the date the private placement of 1.5 million Units closed), the Defendants'
26 holdings of Global shares included:

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1	Irwin	65,000 common shares @ \$1.50 ¹ per share
2		65,000 warrants exercisable for one year @ \$2.00 per share
3		67,000 options @ \$1.66 per share until June 4, 2001
4	Warta	65,000 common shares @ \$1.50 per share
5		65,000 warrants exercisable for one year @ \$2.00 per share
6		67,000 options @ \$1.66 per share until June 4, 2001
7	Legault	20,000 options @ \$1.66 per share until June 4, 2001
8		75,000 ² common shares @ 1.50 per share
9		75,000 warrants exercisable for one year @ \$2.00 per share
10	Watson³	65,000 common shares @ \$1.50 per share
11		65,000 warrants exercisable for one year @ \$2.00 per share
12	Blankstein	65,000 common shares @ \$1.50 per share
13		65,000 warrants exercisable for one year @ \$2.00 per share
14		67,000 options @ \$1.66 per share until June 4, 2001
15	Hanson	65,000 common shares @ \$1.50 per share
16		65,000 warrants exercisable for one year @ \$2.00 per share

17 31. At the September 16, 1996 GST Board meeting held in Vancouver, Washington,
 18 which was attended by Blankstein, Irwin, Warta, Armstrong, Watson, Hanson, Sawyer and
 19 Legault, the Independent Directors were informed that Global had issued 67,000 stock options to
 20 Warta, Irwin, Blankstein and Legault. This was, at best, a half-truth. The Defendants did not tell
 21 the Independent Directors that each of the Defendants had previously purchased, directly and
 22 indirectly, thousands of shares of Global stock. Moreover, although the Board refused, at this
 23 meeting, to ratify the issuance of Global options to Warta, Irwin, Blankstein or Legault, these
 24 Defendants did not divest themselves of their Global options.

26 ¹All dollar amounts in these tables are in Canadian dollars.

27 ²These purchases were made through Thomson Kernaghan.

28 ³These purchases were made through Tellson, a company in which Watson held a material interest.

32. By March of 1997, the Defendants' holdings of Global shares or stock options, which holdings were never fully disclosed to the Independent Directors, included:

Irwin	99,896 common shares @ 96 cents per share
	65,000 common shares @ \$1.50 per share
	65,000 warrants exercisable @ \$2.00 per share
	67,000 options @ \$1.66 per share until June 4, 2001
Warta	65,000 common shares @ \$1.50 per share
	65,000 warrants exercisable @ \$2.00 per share
	67,000 options @ \$1.66 per share until June 4, 2001
Legault	20,000 options @ \$1.66 per share until June 4, 2001
	75,000 ⁴ common shares @ \$1.50 per share
	75,000 warrants exercisable @ \$2.00 per share
Watson	65,000 ⁵ common shares @ \$1.50 per share
	65,000 warrants exercisable @ \$2.00 per share
	74,000 options @ \$5.30 per share until Jan. 28, 2002
Blankstein	65,000 common shares @ \$1.50 per share
	65,000 warrants exercisable @ \$2.00 per share
	67,000 options @ \$1.66 per share until June 4, 2001
	65,500 options @ \$5.30 per share until Jan. 28, 2002
Hanson	65,000 common shares @ \$1.50 per share
	65,000 warrants exercisable for one year @ \$2.00 per share

Development of the Bestel Opportunity

33. As noted above, GST had begun developing the Bestel Opportunity in early 1996. Eventually, a letter of intent was negotiated between Grupo Varo, a Mexican company, and GST. Irwin was designated by GST to represent GST's interests in these negotiations. Negotiations of the letter of intent occurred at meetings held, among other places, in Los Angeles. In April 1996,

⁴These are purchases made through Thomson Kernaghan.

⁵These are purchases made through Tellson.